

COMMITTEE ON LEGISLATIVE RESEARCH
 OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4766-05
Bill No.: Truly Agreed to and Finally Passed HCS for SCS for SB 1210
Subject: Counties: Tourism Tax
Type: Original
Date: May 28, 2002

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON STATE FUNDS | | | |
|--|-------------------------------------|-------------------------------------|-------------------------------------|
| FUND AFFECTED | FY 2003 | FY 2004 | FY 2005 |
| General Revenue | \$0 or (\$60,215) or Unknown | \$0 or (\$31,883) or Unknown | \$0 or (\$32,692) or Unknown |
| | | | |
| Total Estimated Net Effect on All State Funds * | \$0 or (\$60,215) to Unknown | \$0 or (\$31,883) or Unknown | \$0 or (\$32,692) to Unknown |

* Please see DOR assumption for explanation of possible costs.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|--|------------|------------|------------|
| FUND AFFECTED | FY 2003 | FY 2004 | FY 2005 |
| | | | |
| | | | |
| Total Estimated Net Effect on All Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON LOCAL FUNDS | | | |
|--|-----------------------|-----------------------|-----------------------|
| FUND AFFECTED | FY 2003 | FY 2004 | FY 2005 |
| Local Government | \$0 or Unknown | \$0 or Unknown | \$0 or Unknown |

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Economic Development- Division of Tourism** assume no fiscal impact.

Officials of the **Department of Revenue** stated that they do not collect transient guest taxes, however, officials assume that this proposal would require the Director of Revenue to collect the transient guest tax provided the local subdivision would want them to. Therefore, there would be the following fiscal impact.

Officials assume that the Director of Revenue is not allowed to refuse to collect the transient guest tax. Based on that assumption officials assume if the DOR were to be required to collect the tax the DOR would retain a 1% collection fee that would be deposited into the State's General Revenue Fund. The amount of tax collected in a given year would be unknown. The DOR would have cost associated with the collection of the tax. Since the DOR does not collect local tourism taxes, the DOR would need to identify each business within the taxing district, which would require programming changes for MITS. The programming changes is estimated to require 692 hours of programming at a total cost of \$23,085. The State Data Center cost would be \$4,503. Officials assume there would be an increase in Customer assistance which would require 1 FTE a Tax Collection Technician. Officials estimate costs of 1 FTE, fringe benefits, equipment and expense for 10 months of FY 2003 at \$60,215, and \$31,883 in FY 2004, and \$32,692 in FY 2004. **If the proposal does not require the DOR to collect the tax then there would be no fiscal impact.**

Oversight assumes this proposal is enabling legislation. Certain counties or cities would have no fiscal impact without voter approval. Should a city or county receive voter approval to impose the tax, which could not be less than 2% and not more than 8%, they would realize income from the tax that would be earmarked for the purpose of promoting tourism. County or City Collectors would have additional duties related with the administration and collection of the tax, unless an agreement between the taxing district and the Director of Revenue, would be reached that would have the DOR to collect the tax.

Oversight for the purposes of this fiscal note will show fiscal impact to the State's General Revenue Fund as \$0 or (\$60,215) to Unknown, (if income from collection fee would exceed costs), in FY 2003; \$0 or (\$31,883) to Unknown in FY 2004; and \$0 or (\$32,692) to Unknown in FY 2005.

ASSUMPTION (continued)

Sections- 92.327 and 92.336: Kansas City- Tourism Tax

Section 92.327 would allow the City of Kansas City to increase the maximum tax on charges paid by transient guest on sleeping rooms, hotels, motels and tourist courts, from the current 6 1/2 % to 7 1/2 %, however, an increase could not be imposed without voter approval. This section would also allow for an increase in the tax on food from 1 3/4 % to 2%. The increase if approved would go into the City's Convention and Tourism Fund. Money in the Fund could only be spent on advertising, and promotion of convention and tourism business and this proposal would allow money to be spent on international trade. Oversight assumes this Section would be discretionary and would have no fiscal impact to state funds. Local governments would have no fiscal impact without action by their governing authority with voter approval.

| | | | |
|---|---------------------|---------|---------|
| <u>FISCAL IMPACT - State Government</u> | FY 2003 (10 Mo.) | FY 2004 | FY 2005 |
|---|---------------------|---------|---------|

GENERAL REVENUE FUND

| | | | |
|---|----------------|----------------|----------------|
| <u>Income</u> to Department of Revenue from 1% collection fee * | \$0 or Unknown | \$0 or Unknown | \$0 or Unknown |
|---|----------------|----------------|----------------|

Cost to Department of Revenue
from collection of Tourism Tax *

| | | | |
|----------------------------|---|---|---|
| Personal Service (1 FTE) | \$0 or (\$17,660) | \$0 or (\$21,722) | \$0 or (\$22,265) |
| Fringe Benefits | \$0 or (\$6,359) | \$0 or (\$7,822) | \$0 or (\$8,018) |
| Equipment | \$0 or (\$6,715) | \$0 | \$0 |
| Expense | \$0 or (\$29,481) | \$0 or (\$2,339) | \$0 or (\$2,409) |
| Total cost to DOR * | \$0 or (\$60,215) to Unknown | \$0 or (\$31,883) to Unknown | \$0 or (\$32,692) to Unknown |

| | | | |
|---|---|---|---|
| ESTIMATED NET EFFECT TO STATE'S GENERAL REVENUE FUND * | <u>\$0 or (\$60,215)</u> <u>to Unknown</u> | <u>\$0 or (\$31,883)</u> <u>to Unknown</u> | <u>\$0 or (\$32,692)</u> <u>to Unknown</u> |
|---|---|---|---|

***Department of Revenue officials assume this proposal as written would not allow the Director of Revenue to refuse to collect the tax. Therefore, cost is shown provided voters would approve a tourism guest tax, and the city or county wanted the DOR to collect the tax.**

| | | | |
|---|---------------------|---------|---------|
| <u>FISCAL IMPACT - Local Government</u> | FY 2003 (10 Mo.) | FY 2004 | FY 2005 |
|---|---------------------|---------|---------|

CERTAIN CITY OR COUNTY

Income to Certain City or County

tax would designate an official to collect the tax, or could enter into an agreement with the Director of Revenue to collect the tax. If the Department of Revenue were to collect the tax, the Department would retain a 1% collection fee. The city or county could collect a late penalty of 1% and interest that would not exceed 2% per month on the unpaid tax. Thirty days after the last day of the quarter an unpaid tax would be delinquent.

This proposal defines a transient guest as a person or persons who occupy room or rooms in a hotel or motel for thirty-one days or less during any calendar quarter.

The substitute also increases the allowable hotel tax in Kansas City from 6.5% to 7.5% and the allowable restaurant tax in Kansas City from 1.75% to 2%. The proceeds of these taxes will be used for the advertising and promotion of convention and tourism business and international trade.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Department of Economic Development- Division of Tourism



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Acting Director
May 28, 2002